

The Path Back

Jared Bernstein

CBPP

bernstein@cbpp.org

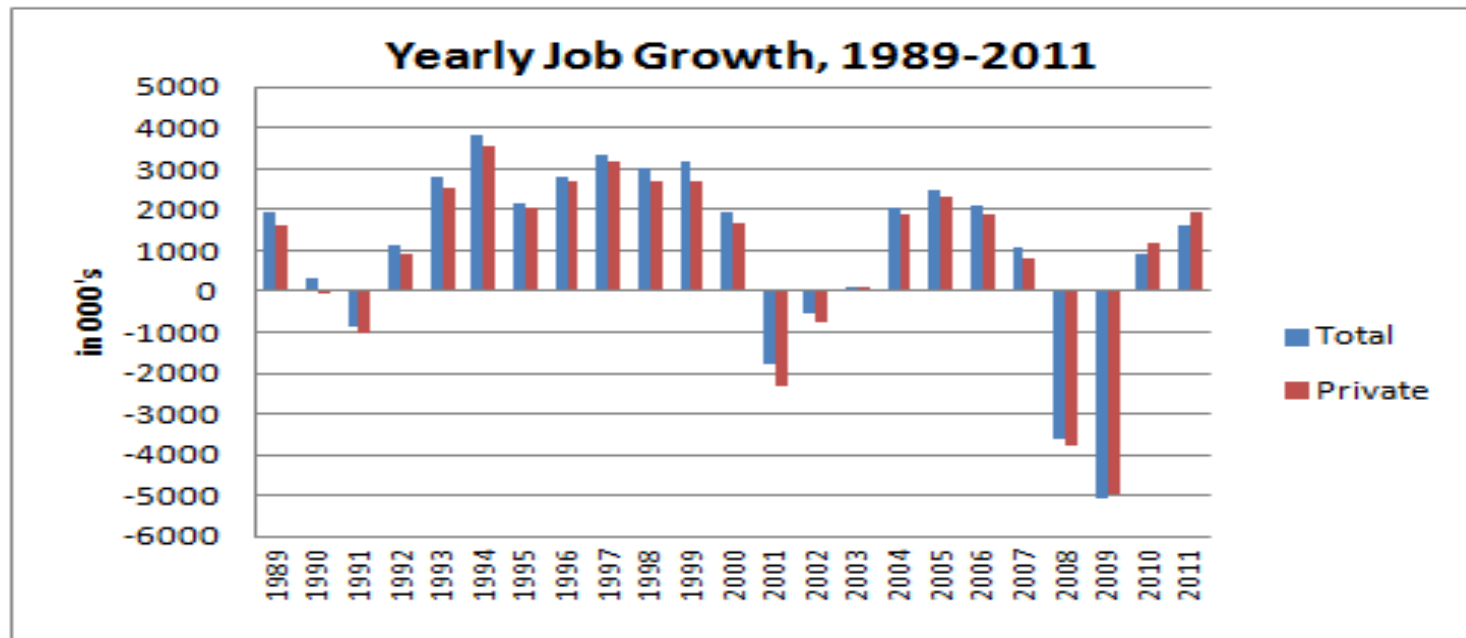
1/20/12

How and Why We Win This (i.e., debate)

- Over-reach. It is now clear that America's main problem is not that rich people don't have enough money.
- Income inequality (OWS!), growth as spectator sport, etc.
- Facts beginning to come back in fashion.
- Market failures/Role of gov't
- But: "New-revenue-problem" remains huge (CA?)

The Economy: Slogging in the Right Direction, But Fragile

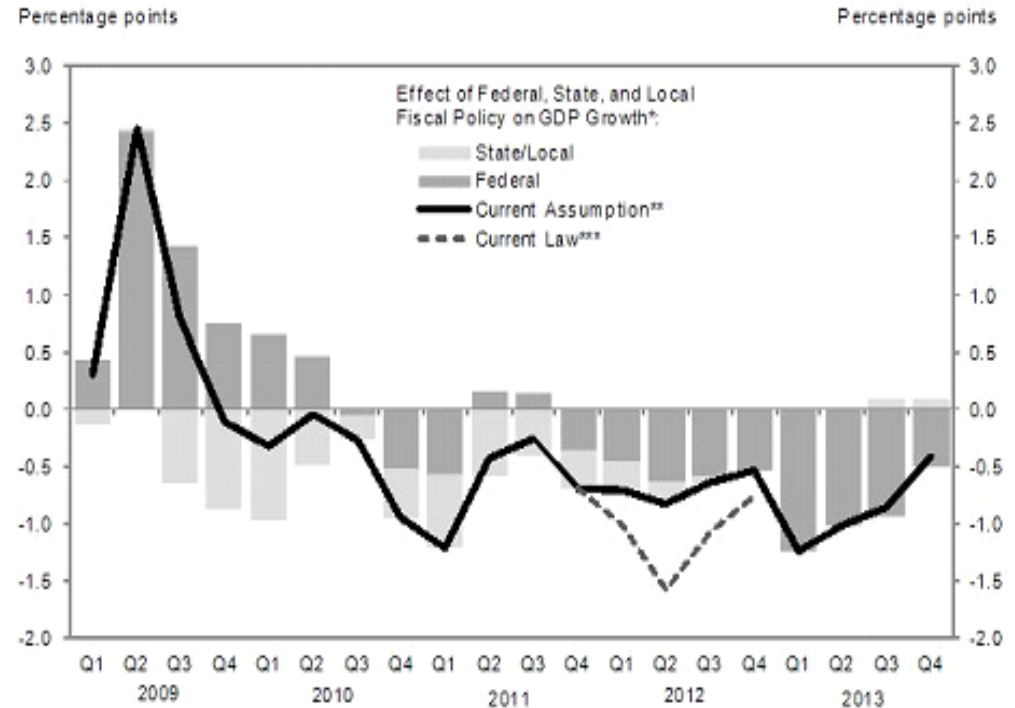
- Trend is friend (but a slow friend); level bedevils
- Unemployment down from 10% (Oct 09) to 8.5% last month; Underemployment: ~15%
- Payrolls, public vs private



Risks

- Fading Stimulus
- Oil (real earnings)
- Europe
- Everything Else

Effect of fiscal policy on growth



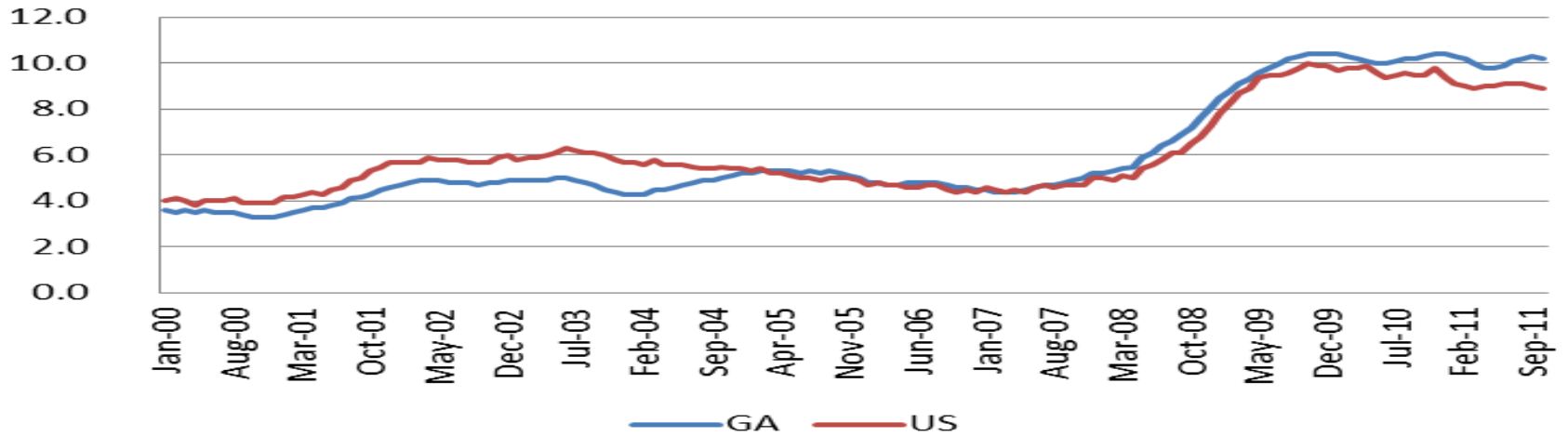
* Annualized; excludes second round effects.

** Current assumption: Payroll tax cut extended through 2012; unemployment benefits extended through 2012 (max benefit phased down 79 weeks); 2001/2003 tax cuts extended through 2013; automatic spending cuts do not take effect.

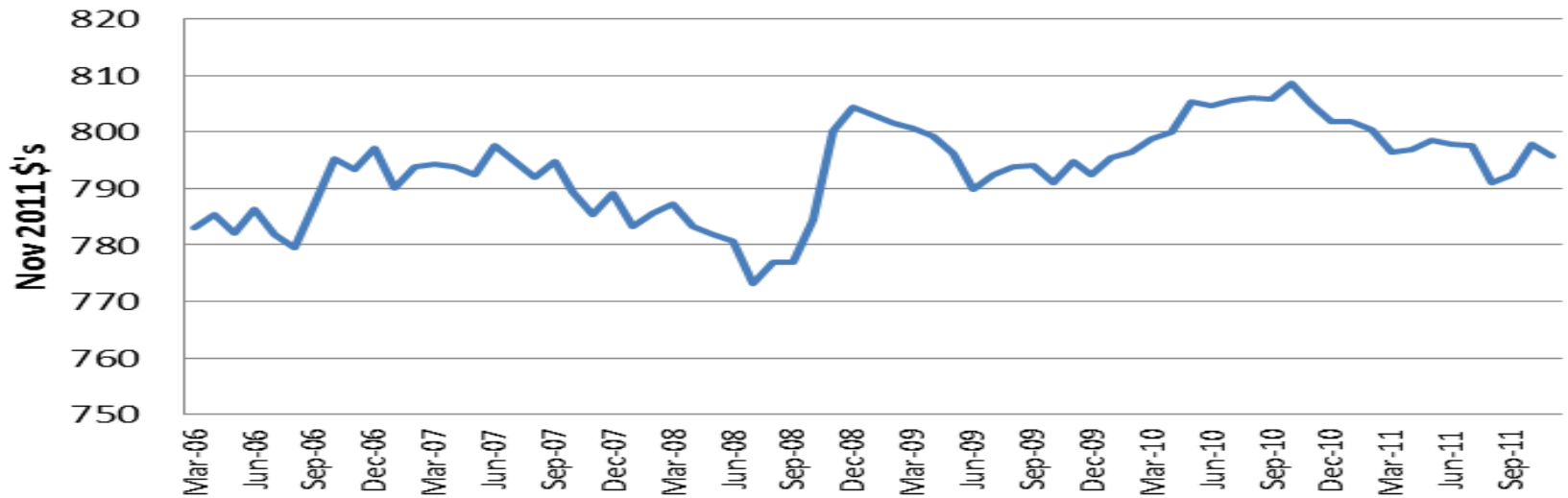
*** Current law reflects extension of payroll tax cut and jobless aid through Feb. 2012, followed by expiration.

Source: GS Global ECS Research.

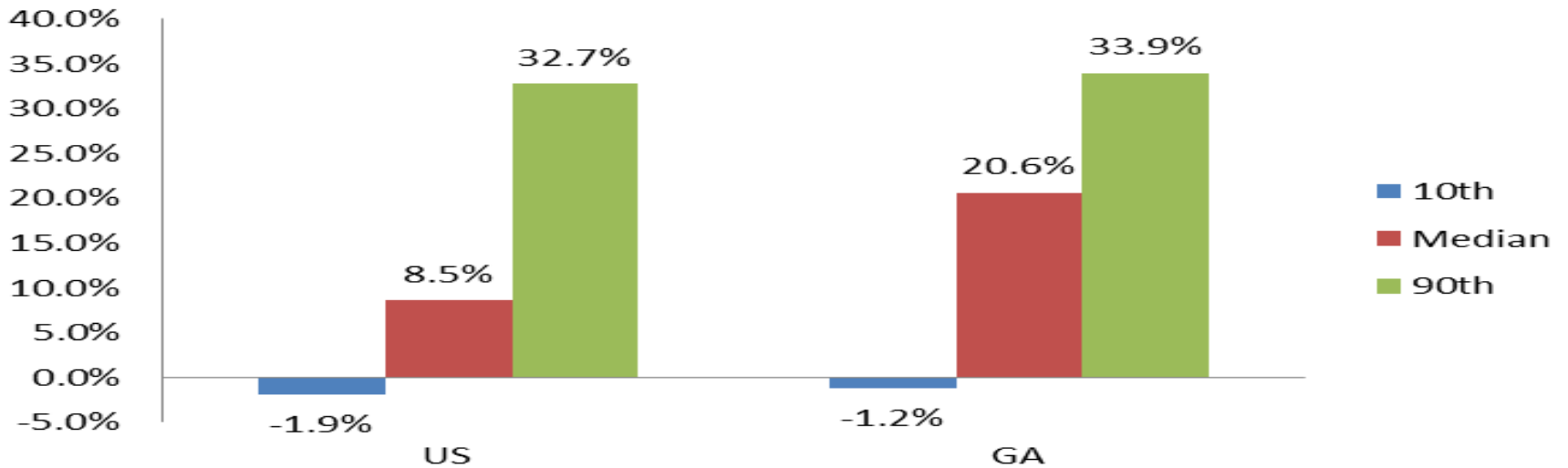
Unemployment Rate, GA and US, 2000-11



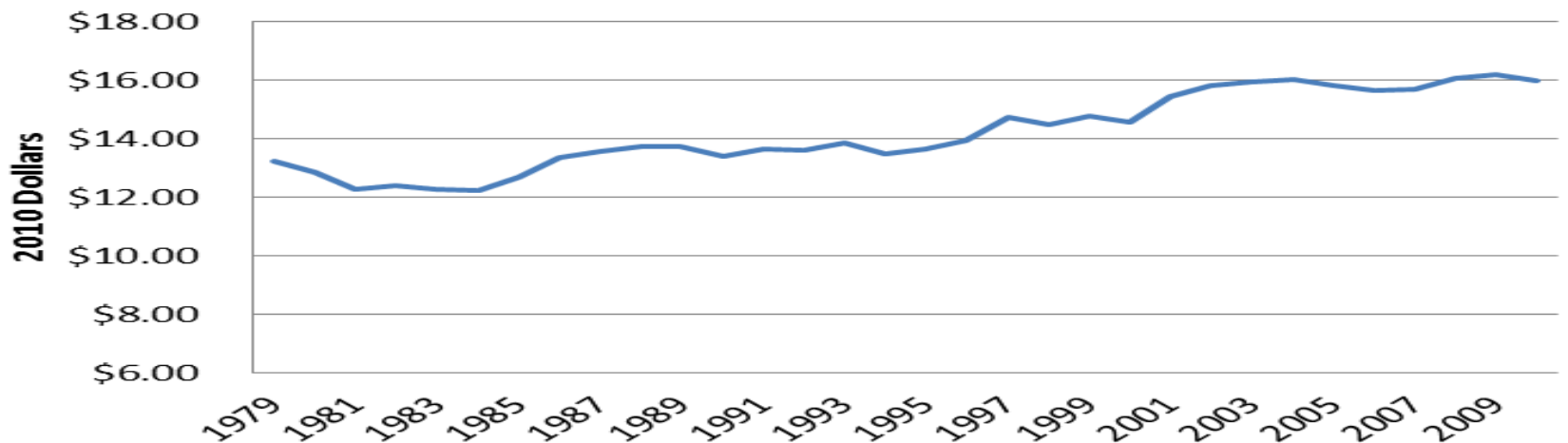
Real Weekly Earnings, 2006-2011



Real Wage Trends, GA and US, 1979-2010



Real Median Wages, GA, 1979-2010



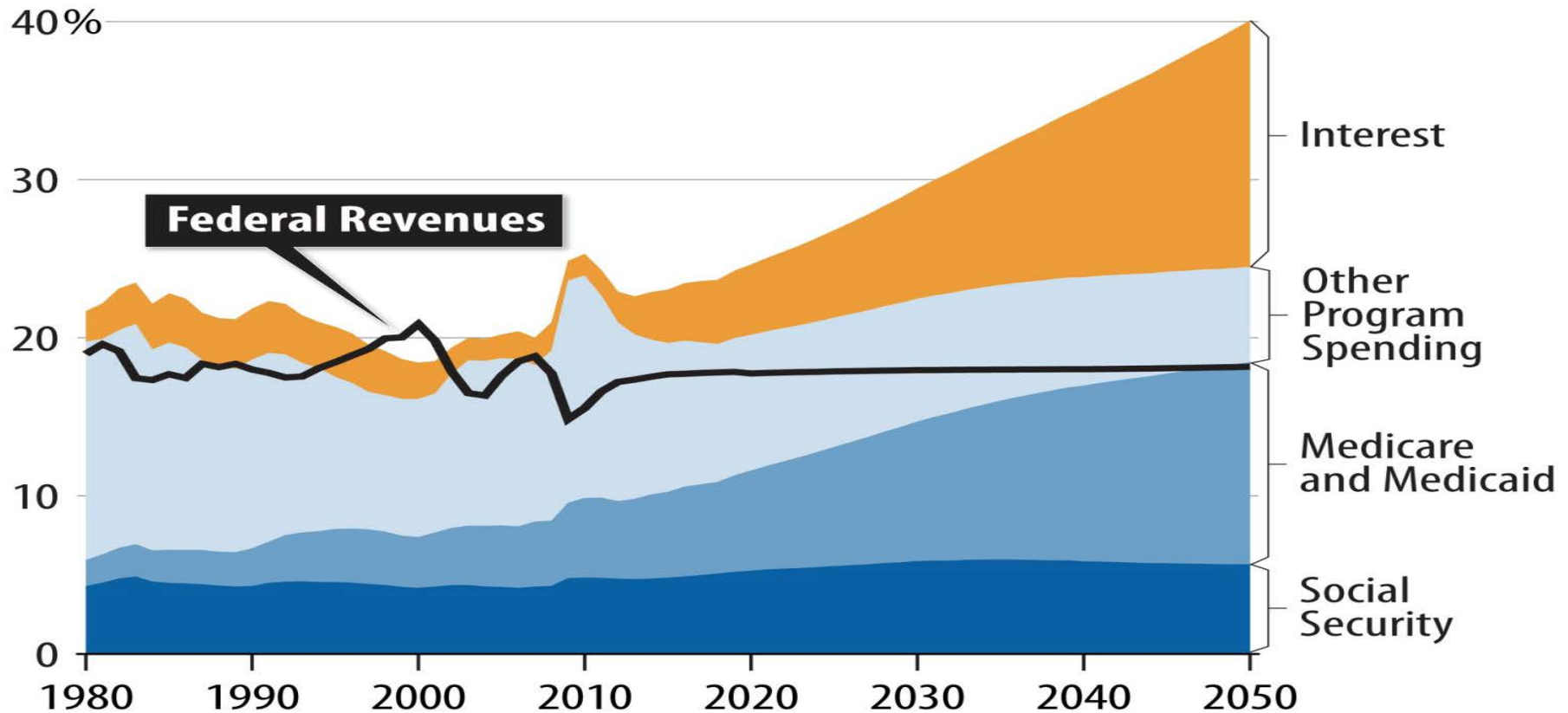
Source: Economic Policy Institute

Federal Gov't: Dysfunction Matters!

- Inability to self-correct (stimulus)
- Real jobs, livelihoods, careers, health, lifetime earnings potential AT STAKE.
- Misguided, mistimed austerity.
- No understanding, appreciation of what cuts mean in people's lives. Gov't's just bad and must be stopped.
- In must come down to cases!

Herein Lies the Problem...

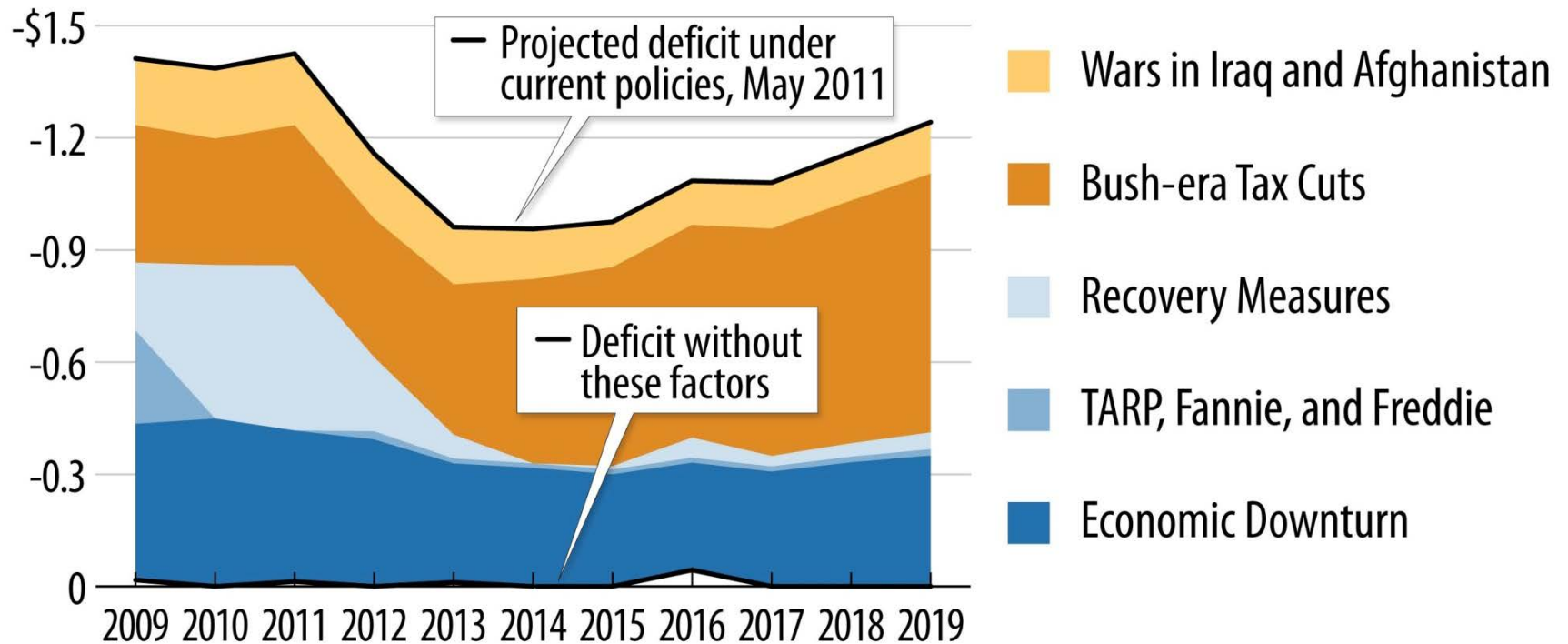
Spending and Revenues as a Share of GDP Under Current Policies



Source: CBPP projections based on CBO data.

Economic Downturn and Legacy of Past Policies Drive Record Deficits in the Decade Ahead

Deficit, in trillions



Source: CBPP analysis based on Congressional Budget Office estimates.

Early Success Protecting Core Low-Income Entitlement Programs

\$1.2 trillion sequestration, or “across-the-board cuts,” due to Super Committee failure, but domestic low-income, individual entitlement programs exempt:

- Medicaid and Children’s Health Insurance Program
- Supplemental Nutrition Assistance Program (formerly Food Stamps)
- Child Care Entitlements (mandatory) and Child Nutrition
- Earned Income Tax Credits (EITC), Child Tax Credit (CTC)
- Supplemental Security Income (SSI) and Temporary Assistance to Needy Families (TANF)

Supercommittee Failure Triggers Sequestration

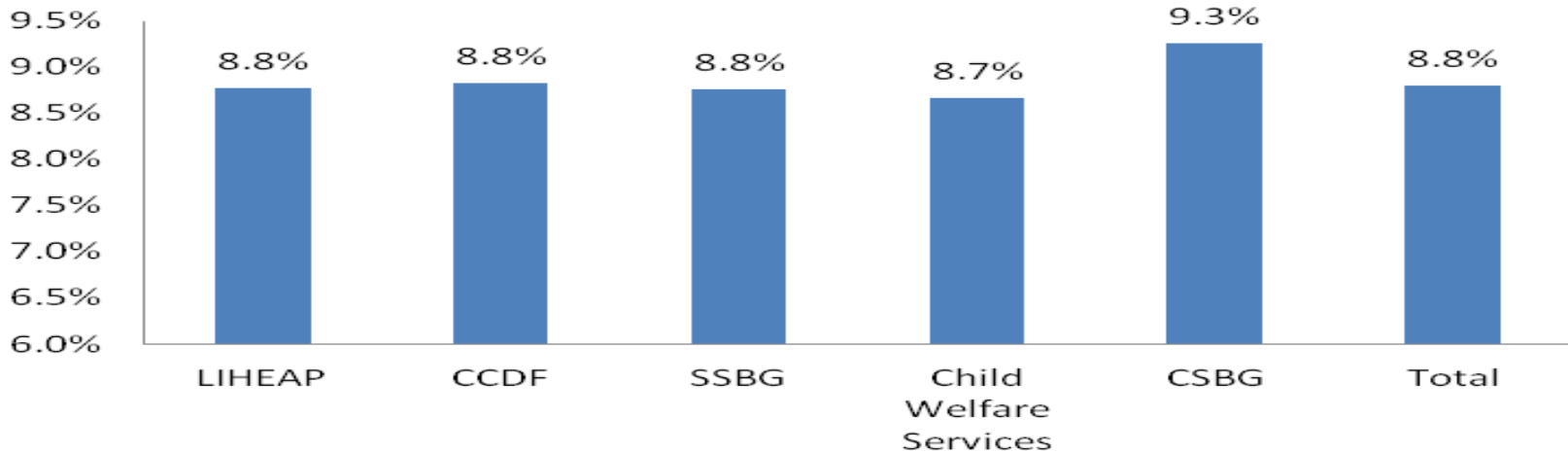
How the \$1.2 Trillion in Deficit Reduction Is Apportioned

In billions of dollars

	Non-Defense	Defense	Total
\$1.2 trillion shortfall due to Joint Select Committee inaction			1,200
Less 18% of shortfall, attributed to interest savings			-216
Equals required program cuts (total program cuts over nine years)			984
Required program cuts per year for 2013-2021			109.3
Cuts per year split equally between defense and non-defense programs*	54.7	54.7	109.3

*Numbers do not add to total due to rounding.
Source: CBPP analysis.

Virginia: Cuts to Social Services



Impact Social Services Reductions

Federal Programs (\$ in millions)	Potential Reduction
LIHEAP	Reduction in heating assistance grants from \$350 to \$322 per client on average
CCDF for at-risk day care	800 fewer child day care slots, from 54,670 to 53,868
SSBG and Child Welfare Services	Elimination of 51 to 95 local DSS social worker positions
CSBG	Possible consolidation of 29 local Community Action Agencies and local service reductions

Other EG's from VA

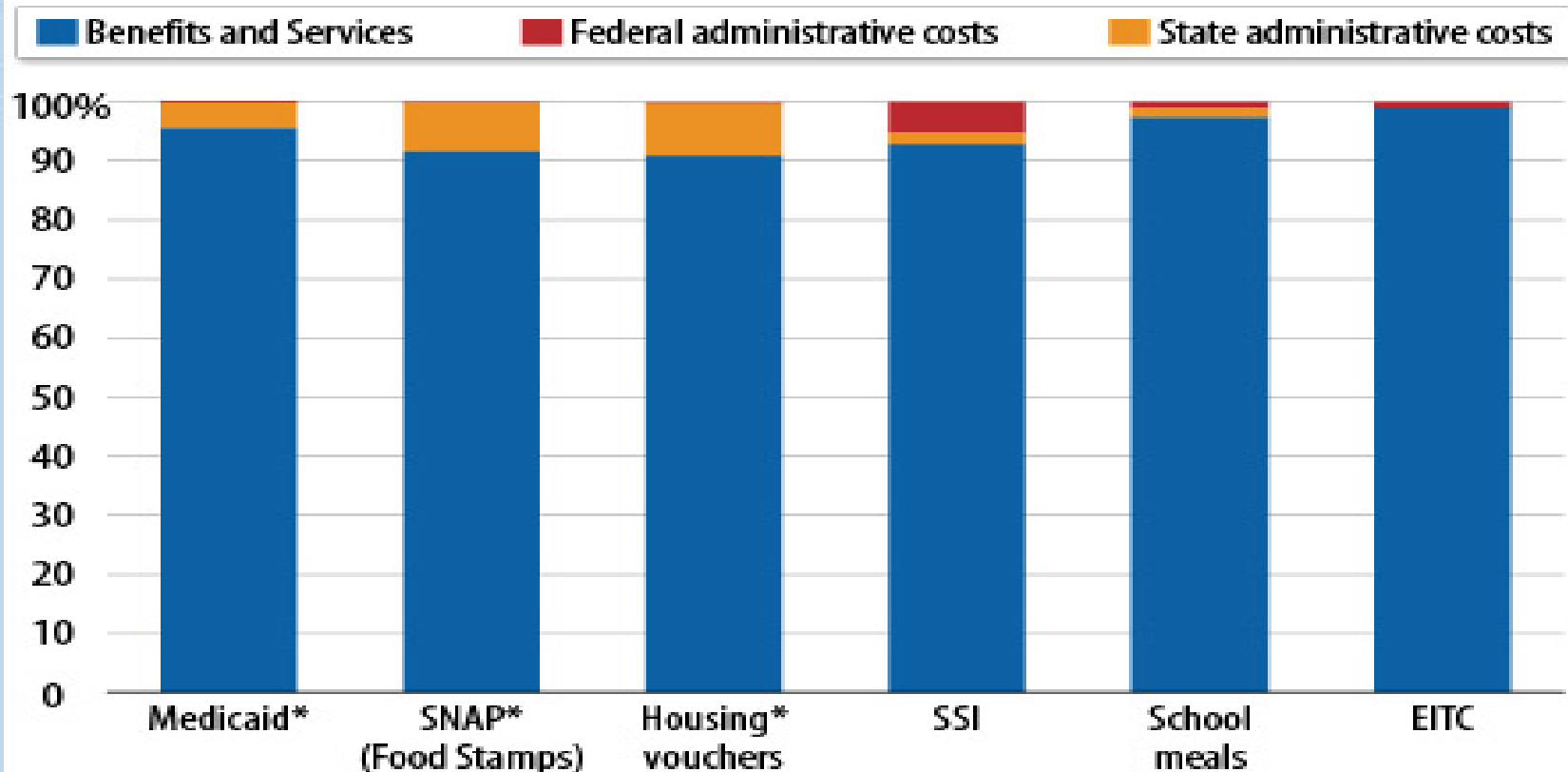
- WIC: 13.7K fewer served; 98 jobs eliminated;
- Drinking Water State Loan Fund: 3-5 fewer drinking water construction projects;
- Substance Abuse Block Grant: 1K fewer clients served;
- Early Intervention Services: 1K fewer children served.
- Elimination of up to 48 Voc Rehab counselors; reduction in almost 4K individuals served;
- 121K fewer home delivered meals to elderly;
- Remployment services; veteran's services; TAA

Truth to Power

- Sen Toomey: “I served on the supercommittee and was very frustrated throughout the entire process, not the least by the fact that the president, frankly, actively made our job more difficult, **threatening a veto if we touched entitlements** [my bold] ...”
- Gov Romney: “...very little of the money that’s actually needed by those that really need help, those that can’t care for themselves, actually reaches them...”
- Cap Gains, Fairness, Investment, and Inequality: Let’s make this a BIG national debate with progressives on offense.
- The defense: “bitter politics of envy,” class warfare, trickle down

Program Dollars Go Overwhelmingly to Beneficiaries, Not Federal Bureaucracy

Percent of total federal and state expenditures



*Federal administration costs as a percent of total federal and state expenditures for Medicaid, SNAP, and housing vouchers are just 0.1%, 0.3%, and 0.3%, respectively.

Note: SNAP=Supplemental Nutrition Assistance Program, SSI=Supplemental Security Income, EITC=Earned Income Tax Credit.

For Medicaid and SNAP, "state administrative costs" include the federal-, state-, and in some localities, county-funded shares of state administrative costs. For housing vouchers, state administrative costs include the costs of local housing agencies that operate the program.

Source: Center on Budget and Policy Priorities based on data from the Office of Management and Budget and agency budget offices. Data are for fiscal year 2010.

How We Win (the debate)

- To defend gov't, gov't must be worthy of defense
- Fact, sure, but values and fairness too.
- Fight economic amnesia—R candidates policy playbook is pure trickle down
- Inequality begets immobility
- YOYO v WITT!